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# Does Globalization Adversely Affect Population and Poverty? The Views of Five Panelists(<Special Issue>Population and Globalization)

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## **Does Globalization Adversely Affect Population and Poverty? The Views of Five Panelists**

The final plenary session of the 2002 IUSSP Regional Population Conference on Southeast Asia's Population in a Changing Asian Context addressed the effects of globalization on population and poverty. Richard Leete of the United Nations Population Fund (UNFPA) organized and chaired the session. Two panel members, Andrew Mason and Simeen Mahmud, agreed to stimulate debate by presenting the case that globalization was not adversely affecting population and poverty. The other two panelists, Ogawa Naohiro and Rafiqul Huda Chaudhury, presented the case that globalization was adversely affecting population and poverty. Each of the panel members was asked to summarize the views presented at the forum.

## **Does Globalization Adversely Affect Population and Poverty?**

Richard LEETE\*

Globalization, the growing integration and interdependence of economies and societies, excites great emotions and has become a force triggering massive international demonstrations—in Seattle, in Doha, in Rome, and just about anywhere that the G8 and Bretton Woods Institutions' leaders meet. Paradoxically, both those who advocate more globalization and the anti-globalization campaigners contend that their route is the road that leads to poverty eradication.

On the one side, those subscribing to the Washington Consensus argue that globalization improves living standards and reduces poverty through employment growth stimulated by increased trade and capital flows, the sharing of ideas, and the extension of democratic institutions. Macroeconomic stability, low inflation, and fiscal discipline are seen as imperatives for sustained economic growth and sustainable development. Globalization is perceived as the means for achieving international-development goals and for

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creating a more inclusive and equitable global economy.

On the other side, the anti-globalization lobby argues that much of the world, especially the poorest countries, has been largely excluded from its benefits. Private investment flows are targeted to a minority of developing countries, bypassing poor countries because of their low human capital and perceived limited investment opportunities. The gap between rich and poor has tended to widen, inequalities have risen, debt has mounted—promised debt relief under the enhanced Heavily Indebted Poor Country initiative has been slow in coming—and trade subsidies, especially for agricultural produce, disproportionately benefit the North. Current levels of Official Development Assistance, less than 0.3 percent of annual GDP overall, are (for most Northern countries) far below the target of 0.7 percent that developed countries are committed to meeting—and for the United States, which has the world's biggest economy, just 0.1 percent of GDP.

There is fear of instability in the international economic and financial system, with large transnational companies often lacking social accountability and sometimes even appearing more powerful than governments of developing countries. Capital flows move swiftly, and as the Asian financial and economic crisis of the late 1990s showed, huge amounts can be moved at times of perceived macroeconomic instability. These massive outflows can seriously reverse development gains carefully built up over decades, as was the case in Indonesia, for example [UNFPA and ANU 1998]. And at times of financial and economic crisis, it is the social sectors that tend to be most affected, their effects being felt disproportionately by the poor, especially women and children.

Then there is a further fear of loss of cultural diversity. Globalization is viewed as leading to cultural homogeneity, or Westernization. Increasing interaction and integration across borders diminish differences between nations, causing global norms, ideas, and practices to dilute local cultures. The spread of factors influencing culture is unbalanced and heavily weighted in one direction, from rich countries to poor ones. A contrary view is that a new heterogeneity and diversity stems from globalization, with the interaction between different societies leading to new mixtures of cultures and integration.

Globalization processes can be seen as national responses to internationally dictated economic prescriptions—reductions in state spending, decreased subsidies, increases in privatization, and so on. Further they can be seen as international responses, such as the cross-border movement of goods, services, capital, information, and investment. Or they can be viewed as a combination of both.

However globalization is viewed, the reality of widespread poverty continues to linger. The HIV/AIDS pandemic is devastating economies, communities, and individual families, especially in the poorest countries; and it is widening inequalities within countries. More than 1.2 billion people live on less than \$1 a day, a similar number lack access to safe water, and more than 2 billion lack access to improved sanitation [IMF *et al.* 2000]. Some 11 million children under age 5 die each year. About one child in three

living in developing countries does not complete primary schooling. Approximately 120 million couples who want to space the births of their children or stop having children are not using contraception. Gender equality and women's empowerment remain distant targets in much of the world.

Poverty is multidimensional, as reflected in the international development goals and especially the Millennium Development Goals (MDGs) [UN 2001]. Without a more equitable distribution of the benefits of globalization both within and between countries, it is unlikely that the development goals will be achieved by the target date of 2015. We need in particular to monitor the MDGs targets that relate to international governance so as to determine to what extent developed countries can be counted as true partners in supporting the aspirations of the poorest countries to lift the curtain of poverty that undermines human dignity. As we move forward in the first decade of this new millennium, progress toward achieving the international-development goals, including the MDGs, can be used as a yardstick for measuring the effectiveness of globalization.

Globalization has direct effects on demographic processes. Those include movements of people within and across national borders, health and fertility outcomes, and changes in age structure. Over the next 15 years more than 1 billion persons will be added to the global total of 6.2 billion, and almost all of them will be net additions to the world's poorest countries. Urban populations will grow rapidly, posing challenges to sustainable development. The attainment of universal access to reproductive health—that is, to gender-sensitive information and services—is crucial for achieving the development goals. Access to reproductive-health services not only is directly related to health, social, and economic outcomes; it also enables individuals, particularly women, to exercise choice and opens opportunities.

In sum, macroeconomic policies will need to be more carefully blended with social policies and protection measures to ensure that market forces do not neglect the needs of the poorest, and that poverty and inequality are not perpetuated. Put another way, globalization needs to be humanely managed and regulated. And there is a need for more developed countries to support the provision of global public goods and thereby contribute to national poverty-reduction strategies.

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## Does Globalization Lead to Greater Poverty?

Andrew MASON\*

“Does globalization lead to greater poverty?” That is the question that has been posed to us. Before addressing the question, however, it is useful to establish common ground about which all of those participating in this debate can surely agree. To do so helps to define the discussion more clearly.

First, I think all participants would agree that the extent of poverty in the world is unacceptably high. The developed countries of the world could and should do more to help those seeking to escape poverty. Globalization is an important issue because it may or may not offer an important avenue for reducing poverty.

Second, globalization, like development, is a destructive process. There are losers as well as winners. Companies and industries die as new ones are born. Workers lose their jobs as new jobs are created. Some investors lose their wealth and others become wealthy beyond imagination. This destructive/creative process is an essential feature of innovation and economic progress. Globalization also has had unintended consequences that our current political institutions have failed to control.

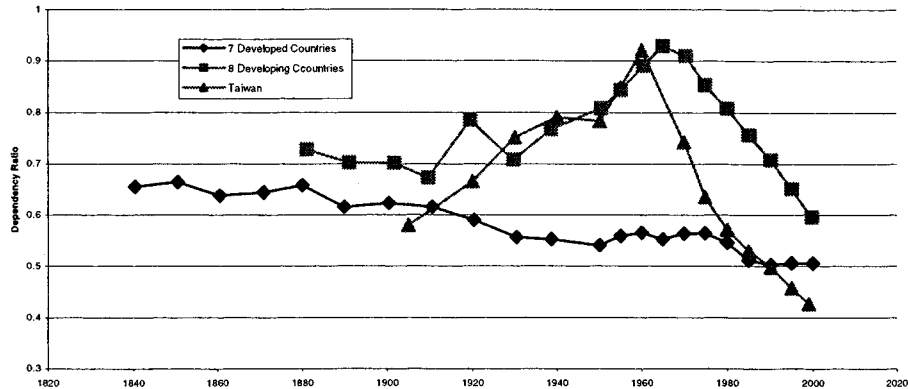
Third, peoples have the right to protect and nurture their culture, their identity, and their moral beliefs from the forces of globalization.

### Population and Globalization

Population change has been an important force that has led to greater globalization. The benefits from exchange arise, in part, because of the differences between countries in factor endowments—in skilled and unskilled labor and in capital. The twentieth century was marked by an enormous divergence between the countries of the developed and the developing world because of differences in their demographic trends. As the developed countries of the world completed their demographic transitions, the proportion of the population in the dependent ages declined steadily and the proportion in the working ages rose. The post-World War II baby boom reversed the trend for several decades, but the

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**Fig. 1** Age Structure: Developed and Developing Countries

Note: For sources and details see La Croix, Mason, and Abe in this issue.

rise was relatively modest as compared with the long-term secular trend.

In the developing world, if the eight countries for which we have data are representative, the dependency ratio was roughly 10–15 percent higher in the late nineteenth and early twentieth centuries. Between 1900 and 1965, however, the average dependency ratio for the eight developing countries shown in Fig. 1 increased very rapidly, producing an enormous dependency-ratio differential between the developing and the developed countries. Since that time, however, the dependency ratio has dropped very rapidly in many developing countries, and by 2000 the gap between the developing and the developed world was not very different from what it was in 1880. Taiwan is shown separately in Fig. 1 to illustrate an important point. In a number of East and Southeast Asian countries, fertility decline has been especially rapid, yielding an even greater swing in the dependency ratio. The proportion of Taiwan's population in the working ages is now smaller than the average for the seven developed countries shown in Fig. 1.

Because of these demographic changes some countries have experienced rapid labor force growth and others have experienced labor shortages. The demographic changes have also led to high saving rates in some countries and low saving rates in others. Globalization has allowed countries to respond to their own demographic conditions by engaging in trade, foreign investment, and international labor migration with countries experiencing complementary demographic conditions [Mason 2001; La Croix, Mason and Abe 2002]. The large demographic differences among countries have been an important force behind the increased integration of global markets.

Why does globalization benefit poor countries? There are three important ways that globalization benefits poor countries and the poor who live in those countries.

The first way is by creating jobs. In the most successful countries of Asia, employment increased more rapidly than the working-age population. Moreover, labor productivity and wages grew very rapidly. How was this accomplished? Through effective

participation in the global economy. In the successful Asian countries exports grew rapidly. When saving rates were low, those countries imported and effectively used foreign capital to start new businesses. Their workers found jobs in the Middle East.

Second, globalization improves the value of and the incentives to develop new ideas. Innovation is the lifeblood of development and poverty reduction. Ideas about how to improve a product, combat a disease, or produce at lower cost all help the poor.

Third, globalization facilitates the diversification of risk. This benefit will become increasingly important as countries age and their larger elderly populations depend on personal savings and public and private pensions for their material needs. The integration of national capital markets will allow greater protection from investment risk. Those of us who live in the United States will be able to invest in Thailand and other countries likely to achieve high rates of economic growth in the coming decades. Those living in Thailand will be better able to hedge their bets by spreading their savings around the world.

Although I have emphasized the potential value of globalization, it is important to acknowledge that we have not yet achieved the idealized global economy. The United States and other countries in the West, for example, protect their agricultural industries much to the detriment of many developing countries [La Croix, Mason and Abe 2002]. The national and international institutions that currently regulate globalization processes are inadequate in many respects.

I have offered no empirical support of the proposition that globalization leads to a reduction in poverty, but a simple exercise is compelling. Make two lists, one of the Asian countries that have actively participated in the global economy and the other of the countries that have not. Those with a global orientation would surely include South Korea, post-reform China, Taiwan, Hong Kong, Singapore, and Thailand. Those without a global orientation would surely include North Korea, pre-reform China, Cambodia, and Pakistan. The results speak for themselves.

The solution to poverty is not to retreat from globalization. The poor of Asia will gain when globalization includes those groups and countries still left on the sidelines.

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## Globalization and Its Impact on the Timing of Births in Japan

OGAWA Naohiro\*

Subsequent to Japan's short baby-boom period (1947–49), its fertility dropped dramatically [Hodge and Ogawa 1991]. Over the 10-year period between 1947 and 1957, the total fertility rate (TFR) declined by more than 50 percent, from 4.54 to 2.04 children per woman. This unprecedented decline of fertility resulted in a shift of personal-resource allocation away from childrearing and induced a rapid accumulation of physical capital during the 1950s, providing a strong base for Japan's phenomenal economic growth in the 1960s [Mason and Ogawa 2001]. In 1973, however, the first oil crisis hit the Japanese economy, after which the pace of its economic growth slowed substantially, as depicted in Fig. 1. In parallel with this change in economic-growth performance, Japan's fertility level started to fall again, as illustrated in Fig. 2. By the early 1990s its fertility was so low that the post-1973 decline was referred to by some demographers as Japan's second demographic transition [Ogawa and Retherford 1993]. The TFR in 2001 was 1.33 children

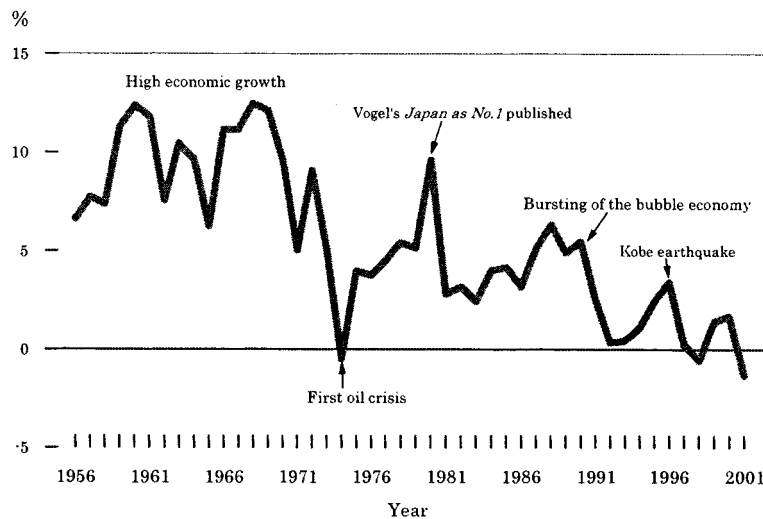
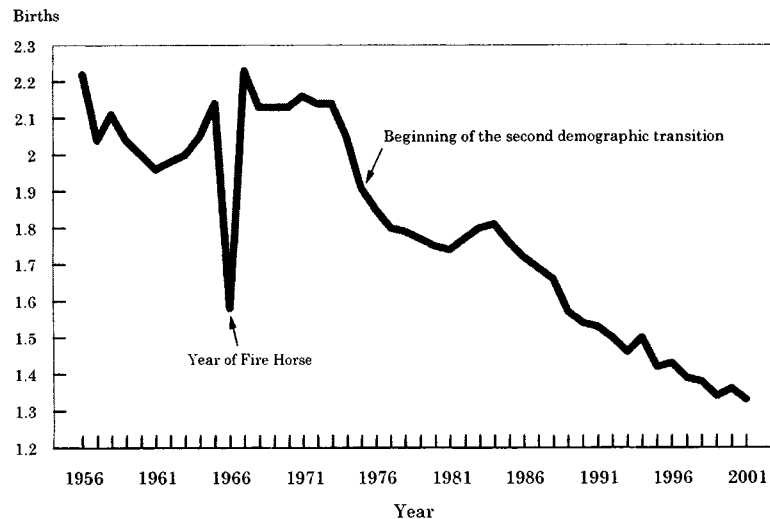


Fig. 1 Trend in Real GDP Growth Rate, Japan, 1956–2001

Source: [Japan, Cabinet Office 2001]

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**Fig. 2** Trend in TFR, Japan, 1956-2001

Source: [Japan, Ministry of Health, Labour and Welfare various years]

per woman, an all-time low in postwar Japan.

The demographic sources of these fertility changes in postwar Japan have varied over time. Prior to the first oil crisis, the major source of decline in the TFR was the decreased marital fertility rate—that is, the reduced probabilities of having a third and fourth child. After the oil crisis, however, the mechanism of fertility reduction changed. In the 1980s the decreased probabilities of first marriage were the principal source of the decline in fertility. As a result, by the end of that decade Japan was no longer a society characterized by universal marriage.

Japan's fertility mechanism changed further during the 1990s. In the first half of that decade the main source of Japan's falling fertility shifted from the reduced probabilities of first marriage to the reduced probabilities of having a first birth. In the second half, it was again the decreased probabilities of first marriage that became the dominant factor, followed by the decreased probabilities of having a second birth.

One of the key factors accounting for these recent changes in the mechanism of fertility reduction in Japan has been its poor economic-growth performance. Since the early 1990s, Japan has been struggling to recover from its prolonged recession. After the Plaza Accord among the G5 countries in 1985, the Japanese economy entered into the bubble-economy phase, during which many Japanese firms purchased numerous properties in the United States and elsewhere. This investment boom abruptly ended in the second half of 1990, and a number of leading banks and other financial institutions went bankrupt. Government tax revenues dropped dramatically, and the government's debts accumulated at an unprecedented rate. Moreover, Japan's international competitiveness deteriorated quickly, and the unemployment rate rose to all-time high levels.

It was unfortunate that the Japanese government implemented inappropriate macro-economic policies to rectify these unfavorable economic conditions. Although many of Japan's economic problems were attributable to the influence of globalization, the Japanese government regarded them as part of a normal business cycle and thus increased government spending to boost its economy, a measure that had little success. It took the government several years to realize that more drastic economic restructuring was needed to make the Japanese economy more competitive in international markets. Because of the government's delayed policy responses, some economists call the 1990s "Japan's lost decade" [Yoshikawa 2001].

Japan's management style, which Vogel [1979] had highly praised in his well-known book *Japan As No. 1*, was no longer effective, and numerous government regulations and restrictions were subject to modification or abolition. In addition, Japan's unique practice of guaranteeing lifetime employment and its seniority-oriented wage system became a serious stumbling block to making the economy more competitive [Retherford, Ogawa and Matsukura 2001]. Since the late 1990s most business firms have introduced a series of management-restructuring adjustments, which in turn have reduced job security among their employees. The increased economic uncertainties have had a considerable effect on the fertility decisions of Japanese couples of reproductive age.

In the National Survey on Family Planning conducted in 2000, a question was included about the impact of the bursting of the bubble economy and the subsequent economic restructuring on respondents' fertility behavior. The question asked was: "Has the recent growth of economic insecurity in Japan as experienced in the bursting of the bubble economy and in the trend toward business restructuring due to globalization affected your personal decision about when you wish to have children and how many children you wish to have?" The response categories were "largely affected," "somewhat affected," "not affected very much," and "not affected at all." Eleven percent of the respondents who answered this question reported that they had been "largely affected," 18 percent had been "somewhat affected," 35 percent had been "not affected very much," and 35 percent had been "not affected at all." (Three percent of the respondents did not answer the question.) Thus approximately 30 percent of the respondents who answered the question felt that the increased economic uncertainties arising from Japan's prolonged economic recession and employment restructuring had affected their fertility behavior.

To identify the characteristics of women whose reproductive behavior has been influenced by the long economic recession and a series of restructuring measures taken by business firms, I applied a logit regression analysis to a selected sample of 1,455 married women who were included in the survey. Because a detailed description of the statistical procedure is available elsewhere [Ogawa 2002], I will focus here on several of the major results.

A number of hypothesized explanatory variables were entered into the equation.

One explanatory variable found to be statistically significant was household income; married women belonging to the lower household-income category were more likely to be adversely affected by the prolonged recession than were those belonging to the higher household-income category. This was a plausible result because married women with lower household incomes have tended to face greater job insecurity in the process of Japan's economic restructuring due to globalization.

I further analyzed the impact of the prolonged recession on successive birth intervals, using the birth-history data gathered in the survey. One of the important conclusions I reached is that economic uncertainties have led to a significant delay between the birth of a first child and that of a second child. Among married women exposed to various economic risks arising from the exceptionally long recession and employment restructuring, the probability of having a second birth was 81.5 percent, as compared with 90.0 percent among those not exposed to such risks. The predictor representing the influence of the prolonged economic recession did not enter into equations for other birth intervals; that is, the increased economic insecurity did not affect the timing of other births.

These results indicate that the restructuring of the Japanese economy directly influenced only the interval between the first and the second birth. But the delay in the timing of the second birth affected the timing of subsequent births, and this suggests that the increased economic uncertainties due to globalization lowered Japanese marital fertility in the 1990s.

Because the reduction of fertility is a principal demographic factor accelerating population aging [Ogawa and Retherford 1997], the Japanese government recently has been making strenuous efforts to increase fertility by implementing policies and programs to mitigate the difficulties that couples face in rearing children. It is still premature to evaluate the effect of these government programs on actual fertility. In addition, because the prolonged economic recession is one of the primary reasons why Japan's marital fertility has been falling since the early 1990s, appropriate macroeconomic policies are urgently needed to place the Japanese economy on a stable growth path. Such policies should include further deregulation of government rules and restrictions and the privatization of some public services. Japan's recent experience with globalization suggests that the government has an extremely important role in minimizing its adverse effects on the domestic economy.

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## Is Globalization Adversely Affecting Population and Poverty?

Simeen MAHMUD\*

Ours is a continuously globalizing world in the sense that the nations of the world are becoming more and more interconnected every day. During the last two decades both the pace and complexity of this ongoing phenomenon have reached unprecedented proportions. However, the degree of integration into the global economy and its impact have varied among countries, which are highly differentiated by whether they are in the North or the South, by the nature of the goods and services they produce and trade, by the level of human development of their populations, by their policies for social provisioning and protection, and by the degree of stability and maturity of their financial sectors, which in turn are influenced in large measure by the extent of each country's integration into the global information and communications network.

For developing countries generally, globalization has meant, among other things, increased exports from the South to the North, the increased flow of capital in the other direction, and the increased movement of skilled labor from labor-surplus countries of the South to the newly industrialized countries. Because these processes affect markets and institutions, they undoubtedly have enormous potential effects on a country's population and on people's livelihoods. It is not surprising, therefore, that

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the weak and vulnerable groups within a country's population are more likely to be adversely affected, at least in the transitional period, than other groups. In addition, given that labor markets and other institutions are governed by norms and rules reflecting a society's gender relationships and stereotypes, these processes will affect women and men differently, women being more likely than men to be adversely affected. The question "Is globalization adversely affecting population and poverty?" therefore deserves a thoughtful response.

There are two direct ways in which globalization processes affect people's livelihoods in developing countries, both of which have poverty and gender consequences. The first is by causing quantitative and qualitative changes in people's labor market participation, and the second is by requiring governments to curtail their own responsibility for public social and human-development provisioning.

The most visible change in the labor market induced by the globalization phenomenon is the "feminization" of the labor market—that is, a more than proportionate increase in the female share of the labor force, particularly paid employment in manufacturing industries. In Asia the evidence indicates that feminization of the labor force has taken place "via worsening income distribution and increased openness of adjusting economies" [Ozler 1999: 226]. Whereas the increased labor market availability of women has been due in some cases to worsening real incomes during the period of structural adjustment,<sup>1)</sup> in other cases it has been due to new economic opportunities and new modes of production that actually favored women because of low labor costs. Women have been considered more suited than men to work under the new conditions because they are seen as subsidiary wage earners, not requiring the regular jobs and stable incomes that men need. Female labor is also considered more suited to the flexible and informal new modes of production—for example, outsourcing, contract labor, casual and part-time labor, and home-based work, which allow easy entry and exit. These kinds of jobs allow the combination of reproductive work, considered to be primarily women's responsibility, and productive work.

Who has gained from this expansion of women's paid employment because of adjustment and trade reforms?

Governments have gained because a country's participation in export trade is influenced positively not only by the availability of "cheap" female labor but also by the attributes of women workers not captured by typical measures of skill, such as the willingness to work under flexible, informal, and diverse labor conditions, conditions under which men are generally unlikely to work. Firms and employers have gained by remaining competitive in the international market, their competitiveness made possible

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1) In Bangladesh real wages declined in 1991, three years after the initiation of the adjustment program, and fluctuated afterward, especially in agriculture and construction, and to a lesser extent in manufacturing [CIRDAP 1997].

by the low costs of hiring women under the new modes of production. The comparative advantage of “cheap” labor (by which I mean not only low wages but also all other conditions of labor that contribute to low labor costs) has meant that employers have gained access to the reserve female workforce, placing them in jobs in agriculture, service, and construction that men have traditionally done and in new kinds of jobs in manufacturing.

For families, the balance of gains and losses is not yet fully played out, since there is consumption gain offset by some welfare loss. On the one hand, there is immediate welfare loss for all family members, but particularly for dependents, due to the reduced supply of women’s care-giving labor that is not compensated by an increased supply of men’s care-giving labor. In all countries of the South women still undertake most of the work in the reproductive economy—that is, labor that provides for the care of dependents (children, elderly, and the ill) and for the sustenance of not-so-dependent adults, on a daily and intergenerational basis. Hence, changes in the supply of female labor for productive work is bound to have implications for the supply of labor for reproductive and care-giving work. Unfortunately, macroeconomics generally takes the reproductive economy for granted, assuming that it can continue to function adequately no matter how much its relation to the productive economy is disrupted. In other words, it assumes that an unlimited supply of female labor exists for reproductive or care-giving work. In Bangladesh, garment factory workers are usually unmarried daughters who migrate to cities for employment, reducing the amount of care-giving labor available to their rural households. Women workers with small children also reduce their care-giving time and rely upon childcare of lower quality (grandparents, siblings, paid help, neighbors).

On the other hand, families also gain because women’s earnings supplement household income, often raising not only the quantity of consumption but also the quality because women spend a higher proportion of their income than men do on food, housing, clothing, education, and health care. Within families men gain because women share the work of income earning to meet the family’s consumption needs, often allowing men to migrate to urban areas and get better jobs, to go to college, to obtain higher-skills training, or to go abroad for more remunerative employment. In Bangladesh, garment factory workers remit a part of their earnings to their natal families, help pay for the schooling of siblings, and save for their own marriage dowries. Their remittances not only are poverty reducing but also enhance human development and human capabilities.

Women have gained jobs, but whether this has been to their advantage or disadvantage is difficult to assess because an expansion in paid employment has both positive and negative dimensions. Women have to pay for the burden of additional work through health costs and reduced leisure time since there is no change in the gender division of labor in the reproductive economy. Women may also be losing out in the work

place by being stuck in employment that has poorer returns, fewer prospects for upward mobility, and worse working conditions than those of male employment. Female employment is also riskier, being directly linked to swings in international demand and dependent upon how much individual countries can remain internationally competitive. There is also the risk of losing the “female” advantage and being replaced by men in more highly skilled jobs, a reversal that is already seen in many countries, including Bangladesh, where men are taking up the more skilled and more remunerative work in knitwear factories.

Nevertheless, although the deregulation of labor permitting flexible modes of production, easy entry and exit, and low labor costs has meant that jobs available to women have less favorable terms than jobs available to men, it has also meant that more jobs are available in situations where women are forced to seek paid work. Moreover, the conditions of work in the new factory jobs, both wages and working conditions, compare favorably with the conditions of work in jobs that women otherwise engage in, such as domestic service, construction work, or agricultural wage work. The expansion of jobs for women and the better working conditions in export manufacturing industries act as a leverage for improved working conditions in other sectors, particularly the informal sector. In Bangladesh, since the establishment of the export-oriented ready-made garment factories, which hire large numbers of unskilled women, there has been a scarcity of female labor for service and domestic work, a factor responsible for pushing up the wages of maids and service workers.

Although the number of factory jobs is insufficient to employ all women seeking paid work, they do represent expanded opportunity in a context of limited choice and raise women’s hopes of getting a job because of the ease of entrance and the mobility between factories. In that respect they contribute to the increasing value of daughters to parents, a positive change indicated by parents’ increased willingness to invest in the education and health of daughters as well. In Bangladesh, for example, the gender gap in primary school enrollment is closed (and maybe even reversed), and the gender gap in child mortality and nutrition is considerably reduced, a fact not readily accounted for by either economic or demographic explanations. Furthermore, in patriarchal societies like Bangladesh, these jobs have contributed to the creation of norms that are beneficial to women and society, such as young women working for pay, women delaying marriage in favor of employment, and women living on their own and moving visibly in the public domain.

Finally, the expansion of women’s paid work, especially in the modern sectors, can contribute to more egalitarian gender relationships and a reduction in gender inequalities because of the links between women’s empowerment and their decision-making role in the family, their mobility in the public domain, and the re-evaluation of women’s work. The link is not automatic, however; rather, it depends on the extent to which women have control over their earnings and have a say in how to spend them. Evidence suggests that

women do retain control over part of their earnings and spend it on themselves, although the major portion is spent on family consumption. Women workers report gaining a feeling of independence and seem to enjoy greater self-esteem and social prestige. They also report being more valued by their family members, although the lack of sharing of reproductive and caring work by men suggests that gender relationships in the family have not altered much. However, among women employed in export-oriented manufacturing industries the age at marriage has gone up, and those women enjoy greatly increased access to the public domain, and to services and information, which indicates an improvement in their absolute status in society.

For developing countries globalization has tremendously increased opportunities in the world's markets, but the extent to which gains in economic growth have been translated into improvements in human development and to poverty reduction depends more upon individual countries than upon the processes of global integration *per se* [UNDP 1999]. Some countries, like Malaysia and South Korea, were able to manage increased trade and economic growth to produce significantly reduced poverty levels and increased human-development levels, whereas others, like Pakistan, were unable to translate high rates of growth in exports to visible improvement in human development. Clearly, an individual country's ability to transform the gains from globalization into real gains for its people depends upon how comprehensive and pro-poor its adjustment packages have been at the national level.

It is not surprising that in the face of shrinking government resources and donor aid, public systems of social provisioning and protection have been, in many cases, downsized or even dismantled. In Asia generally the adverse effects of cutbacks in government spending have not been very severe because adjustment packages accompanying trade liberalization have tended to be sensitive to the need to increase income transfers to the poor by subsidizing health and education services and by providing safety nets for the very poor. Evidence of this can be seen in the "Asian Tigers'" enormous and rapid strides in human development and poverty reduction during the decade prior to the financial meltdown in 1997 and their relatively quick recovery to pre-crisis levels despite the severe human cost of the crisis.

Moreover, although health and education subsidies often end up favoring the rich, they do reduce overall inequality in income because private spending is more unequal than public spending. For example, in 1999 the Bangladesh government spent 15 percent of all government expenditure on education and 5.3 percent on health. Government subsidies were greater for education, and some of the expenditure components in both health (essential-services package) and education (primary education) were strongly pro-poor. Bangladesh also has one of the world's largest programs of targeted food transfers, and it has been described as reasonably pro-poor.

In conclusion, the extreme vulnerability of people and the helplessness of national governments in the face of volatile financial markets cannot be glossed over. Southern-



country governments should prepare to address new sources of vulnerability that are not directly linked to financial markets but rather to the fact that workers in geographically dispersed and economically diverse locations have come into direct competition with one another. The question of ethics in international trade has cropped up, and the issue of “fair” rather than “free” trade is becoming more relevant for countries of the South and for poor workers within those countries. Recent attempts to include a social clause in international trade agreements (for example, linking labor and environmental standards to exports from developing countries) should be tackled by governments in such a way that these international pressures result in improved working conditions for their workers rather than in the loss of employment for millions of poor workers, most of whom are women who have a very weak bargaining position *vis-à-vis* their employers.

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## Does Globalization Adversely Affect Poverty and Population?

Rafiqul Huda CHAUDHURY\*

I would argue that the globalization process, including structural-adjustment programs, which aim to accelerate economic growth through improved macroeconomic performance, fiscal discipline, greater reliance on private markets, and trade liberalization, may adversely affect poverty and a country's population dynamics (*e. g.*, fertility, mortality, nuptiality, migration), at least in the short run. Structural adjustment includes the liberalization of markets and wages; it also includes demand-contraction policies, such as

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cutbacks in public expenditures, the imposition of service charges, and exchange-rate devaluation—all of which are likely to erode household income and thereby increase poverty, lowering the quality of life, health, and education.

Liberalized market policies, such as the privatization of industries, which leads to the retrenchment of workers and unemployment, and the withdrawal of food subsidies, may also erode household income and consequently give rise to poverty. The wage-liberalization process may lead to the stagnation or decline of the real wage rate and thereby accentuate poverty.

Governments devalue their exchange rates to reduce trade deficits. Exchange-rate devaluation boosts exports by making foreign goods expensive and local goods cheaper; but among the imported goods that become more expensive are medicines, medical equipment, and fuel. Increases in the price of imported life-saving drugs and medical technologies can adversely affect the demand and quality of health services. Increases in fuel prices often lead to higher prices for food and other commodities by affecting transportation costs, and those higher prices negatively affect household income and weaken demand for health and education services.

Demand-contraction policies such as cutbacks in public expenditure in social sectors, particularly on health and education, are often introduced to reduce budget deficits. They negatively affect the accessibility and quality of those services and have a detrimental affect on the health and education outcomes of a population, particularly the poor.

Service charges, often imposed as a cost-recovery measure to compensate for the cutbacks in expenditures on public health and education, may lead to a reduction in household income, particularly for the poor, and their ability to pay for those services. This in turn will adversely affect their health and education. Ill health and poor education will further increase the vulnerability of the poor.

Since structural-adjustment programs emphasize economic growth and are geared toward allocating more resources to the productive sector, the health, education, and social services sectors receive smaller allocations or investments, and that may adversely affect both the coverage and quality of these services.

Overall, the negative impact of structural adjustment is likely to be especially severe in situations where social safety nets are inadequate to protect the poor and vulnerable groups (*e.g.*, children, women, particularly female-headed households, the elderly) against its immediate adverse affects during the transition period. Fig. 1 shows the pathways through which each of these features of structural adjustment may adversely affect household income and the quality of life, particularly health and education.

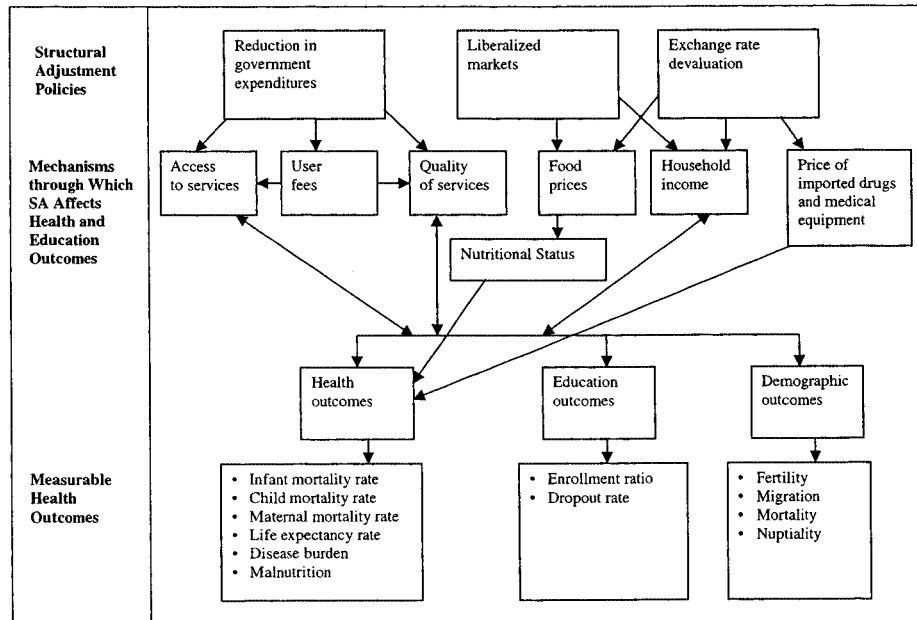


Fig. 1 Theoretical Framework

Source: Based on Breman and Shelton [2001]

## Empirical Evidence

Evidence of the consequences of structural-adjustment programs on poverty, health, education, and other social and demographic variables can be found in countries of Central, South, and East Asia. Among six Central Asian countries (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) I shall focus on Azerbaijan in this review because it mirrors most of the issues and consequences associated with structural adjustment and the transition process in other countries of the region. Five years after achieving independence in 1991, Azerbaijan experienced a severe economic contraction characterized by low productivity and high inflation [UNFPA 1999]. The economies of the East Asian countries experienced a major setback in 1997 following a period of impressive economic growth averaging 5.2 percent per annum between 1965 and the early 1990s [UNICEF 1999a]. Prior to the onset of globalization (before 1990), South Asia had experienced high levels of illiteracy, poor health standards, pervasive poverty, and inequitable distribution of wealth and income [MHHDC 2002]. Recently the governments of Azerbaijan, East Asia, and South Asia have adopted a series of structural and market liberalization programs to accelerate economic growth through more fiscally prudent economic management. These programs include the privatization of state enterprises, the closure of unprofitable state enterprises, the retrenchment of workers, the

devaluation of national currencies, the relaxation of controls over capital flow, tariff reductions, cutbacks of public provisioning in the social sector, the withdrawal of state subsidies for health and education, and the imposition of service charges for health care and education. Structural-adjustment and liberalization programs have been in effect in Azerbaijan and South Asia since 1990, but most countries in Central and South Asia have not moved toward full-phase market liberalization. East Asian countries, on the other hand, have been implementing mixed liberal economic policies (via a confluence of public-sector and private market-driven development) over the past 20 years, and by the early 1990s they had achieved full-phase market liberalization. The impact of globalization, in particular of structural-adjustment programs, on population and poverty can be measured by comparing the situation in the pre-globalization period with that in the post-globalization period.

### **Economic, Social, and Demographic Consequences of the Globalization Process**

#### *Economic Consequences*

In Azerbaijan the closure of a number of unprofitable state enterprises and the retrenchment of workers led to an unprecedented increase in unemployment, from nearly full employment before independence in 1991 to 25 percent unemployment of the labor force in 1995 [UNFPA 1999: 9]. In East Asia the unemployment rate skyrocketed with the closure of large numbers of private enterprises and the widespread retrenchment of workers. The rate doubled in Thailand and Hong Kong and increased more than threefold in South Korea between 1996 and 1998. Malaysia and Indonesia were hit even harder. Some 7.4 million people were unemployed in Thailand, South Korea, and Indonesia, roughly 10 percent of those countries' work force [UNICEF 1999a: 49]. In South Asia the privatization of state-owned enterprises also led to retrenchment of workers. For example, in Bangladesh 89,971 workers lost their jobs through retrenchment between 1995 and 1997. In India 227,103 workers lost their jobs owing to the privatization of state enterprises. In Pakistan the annual compound growth rate of overall employment declined from 2.0 percent in the pre-privatization period to 1.39 percent in the post-privatization period [SAAT 2000: Tables 2.3, 3.7, Fig. 5.8].

Loss of income, due largely to the loss of jobs and price hikes, led to increased poverty. In Azerbaijan the incidence of poverty, measured by whether annual household expenditure on food fell below the cost of minimal consumption, increased during the 1990s, reaching its highest level, 68 percent, in 1995. Real wages, measured as the ratio of the average wage to the cost of a basic consumer basket, dropped from 88 percent in 1991 to 29 percent in 1996 [UNFPA 1999: 9]. An estimated 20 percent of Indonesia's population, 12 percent of South Korea's, and 12 percent of Thailand's were poor in 1998 [UNICEF 1999a:

50]. The incidence of poverty, defined as the proportion of a population having an income below \$1 per day, increased in three out of five South Asian countries for which data are available during two consecutive periods, 1989–94 and 1994–98 [MHHDC 2002: 48, Fig. 3.3].

With the increase in poverty, income distribution also worsened. In Azerbaijan it worsened in the 1990s, with the richest 10 percent of the population accounting for 24 percent of the national income and the poorest 10 percent accounting for only 4 percent [UNFPA 1999: 9]. Income distribution among various economic groups also worsened in South Asia. Between 1987 and 1998 the richest 20 percent of the region's population received between 41 and 46 percent of total income, while the poorest 20 percent received less than 10 percent of the total income [MHHDC 2002: 49, Table 3.1]. The benefits of economic growth in general tend to be limited to a small minority of educated, urban denizens. In East Asia the widening of the income gap has been dramatic; and basic human development—education, public health, and gender development—have suffered deeply from mounting pressures stemming from increased unemployment and the retrenchment of the public sector [UNICEF 1999a; 1999b].

#### *Social Consequences*

In 1996 government expenditures on public health and education, as a percentage of GDP, were less than half of the 1990 level in Azerbaijan [UNFPA 1999: 10–11]. This has adversely affected the health, nutrition, and educational status of the population. For example, in Azerbaijan more births have been taking place at home because many couples cannot afford to pay health-facility fees. As many as one-third of all children under age 1 were found to have been born at home in 1996, compared with nearly 100 percent of deliveries taking place at health facilities in 1990 [*ibid.*: 15]. This increase in home deliveries has had a serious effect on the maternal mortality rate, which increased from 17 per 100,000 live births in 1990 to 44 per 100,000 live births in 1996. Mortality rates among infants and children under age 5 also increased during the first 3 to 4 years following independence. Life expectancy at birth declined by 2 years, from 71 years in 1990 to 69 years in 1995. Structural adjustment has also taken its toll in the education sector in Azerbaijan. Enrollment in education institutions declined by 13 percent between 1990/91 and 1995/96 [*ibid.*: 10].

Drastic reductions in the budget allocations for health and education in East Asia have reduced the accessibility and quality of those services. The reductions are reflected in the closure of health facilities and in increased school-dropout rates in various countries. For example, half of the health facilities in one part of Greater Jakarta were reported to have been closed. The number of Indonesian children dropping out of primary and junior-secondary schools during 1998 were 1.6 and 1.1 million respectively, twice the levels in 1996 [UNICEF 1999a: 50].

Public expenditures on health and education, as a percentage of GDP, decreased in

almost all South Asian countries during 1995–97, declining to levels lower than those in the pre-globalization period. These reductions have had negative health and education outcomes. For example, the progress made since 1960 in improving life expectancy and adult literacy and in reducing maternal and child mortality slowed in 1997 and 1998/99 following structural adjustment, owing to cutbacks in public-sector employment and service delivery. Moreover, the region experienced more cases of infectious diseases such as tuberculosis and malaria. The emergence of HIV/AIDS put a further strain on the health care system, which was already squeezed by the decrease in public spending [MHHDC 2002].

#### *The Demographic Response*

Here I focus on demographic responses to structural-adjustment programs in Azerbaijan because comparable data for other countries were unavailable at the time I prepared this report. Economic hardships triggered various demographic responses to meet the challenges stemming from structural-adjustment programs in Azerbaijan. These include: declining fertility, a declining marriage rate, and an increasing divorce rate and net exodus of population. The total fertility rate declined from 2.77 children per woman in 1990 to 2.29 in 1995. The proportion of women who had never married rose by 48 percent, from 23 percent in 1993 to 34 percent in 1996. The mean age at marriage for females increased by three years, from 20.5 years in 1992 to 23.5 years in 1997. Reduced job opportunities, created by the closure of unprofitable government enterprises and low domestic wages, encouraged young, qualified persons to seek employment outside the country. The annual net flow of emigrants from Azerbaijan grew by 152 percent, from 20,881 persons per year during the 1980–90 decade to 52,667 persons per year during 1991–97 [UNFPA 1999: 9–11].

### **Conclusion**

Evidence from various countries in Central, South, and East Asia with different economic histories and at different stages of economic liberalization indicates that globalization, in particular structural-adjustment and market-liberalization programs such as the privatization of state enterprises, retrenchment of workers, and cutbacks in public expenditures on the social sector, have exacerbated poverty and inequality and have negatively affected health and education outcomes, at least during the transition period. So far globalization has not helped these Asian countries to break free of the vicious cycle of poverty, unemployment, illiteracy, and poor health. Instead, market liberalization and reductions in public investment in social services have intensified the plight of the poor and exacerbated income polarization. In order for the poor to benefit from market-driven development in an increasingly integrated world economy, there is a critical need to

bolster the capacity of national and international institutions to provide inclusive social safety nets, investments in human capital, reductions in economic volatility, and the management of global public goods.

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